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The Manufacturers Hanover
Financial Digest
Weekly Commentary, Selected Financial Data, and Business Indicators

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U.S. Export Flow To Latin America . . .

In order to service their external debt repayment obligations, many nonoil developing countries will have to impose economic austerity—a move that may also affect U.S. exports in 1983. Most of these countries have been major customers for U.S. products for a number of years. For example, U.S. exports to Mexico in 1980 amounted to about seven per cent of total U.S. exports. Adding five other so-called "high debt" countries of Latin America—Argentina, Brazil, Chile, Peru and Venezuela—boosts the total to 13.2 per cent of total U.S. exports in that year.

The negative effects on U.S. exports of the recession in world trade, the overvalued dollar and the diversion of available foreign exchange from imports to debt service is already being felt. After rising 34 per cent in 1979 and 41 per cent in 1980, exports from the United States to these six Latin American countries rose only 10 per cent in 1981—and for the January through October period of 1982 actually fell by over $6.5 billion, or 25 per cent from the same ten-month period a year earlier.

This decline traced to reductions in every major category of U.S. exports except one—mineral fuels, lubricants and related materials. Exports of this group, which include coal, petroleum products and derivatives and natural gas products almost tripled during the first ten months of 1982 compared with the same period in 1981. The U.S. is a major supplier of refined and processed oil and gas products to Latin America, often in return for their exports of crude oil. The table illustrates the extent to which U.S. exports have been affected by these countries' external debt problems in the present global recessionary economic environment. Total U.S. exports in 1982 probably fell about $24 billion below 1981's $236 billion (Balance of Payments basis)—a decline of ten per cent and equivalent to 0.8 per cent of U.S. nominal GNP.

. . . Dwindles To A Trickle . . .

Exports to Mexico have been among the hardest hit. The sudden onset of Mexico's foreign exchange difficulties is well illustrated by the decline in imports from the United States which traditionally has supplied about 65 per cent of Mexico's total intake of foreign goods. U.S. exports to Mexico in 1979 jumped 48 per cent over the previous year, 54 per cent in 1980 and 17 per cent in 1981. However, they plunged 32 per cent during the January-October period in 1982 compared with the same period in 1981 as the Mexican Government adjusted its policies in an effort to cope with their financial situation. Exports of U.S. agricultural products to Mexico dropped about 54 per cent, while nonagricultural items were down a hefty 28 per cent. Particularly hard hit were food which fell by 68 per cent, manufactured products (—43 per cent) and machinery (—35 per cent).

AGGREGATE PER CENT CHANGE IN U.S. EXPORTS TO SIX "HIGH DEBT" LATIN AMERICAN COUNTRIES* AND TO THE WORLD – (JAN/OCT–1982/81)

EXPORT CATEGORY	SIX COUNTRIES	WORLD
Food and Live Animals	—46	—21
Beverages and Tobacco	—17	4
Crude Materials (ex. Fuels)	—16	-- 7
Mineral Fuels, Lubricants	149	36
Oils and Fats	— 3	—11
Chemicals	—19	— 4
Manufactured Goods	—34	—18
Machinery and Transport Equip.	—26	— 8
Miscellaneous Manufactures	—23	— 4
Other Commodities & Transactions	—48	—23

*Argentina, Brazil, Chile, Mexico, Peru and Venezuela

Brazil, on the other hand, began reducing its imports from the United States a year earlier. After increasing its imports from the U.S. by 26 per cent in 1980 over the previous year, Brazil cut its U.S. imports by 13 per cent in 1981 and by a further nine per cent in the first ten months of 1982 from the same ten-month period in 1981. Again, agri-

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cultural products were reduced the most sharply—by 23 per cent, while imports of manufactures from this country fell about six per cent. The difference in the pattern and rate of import cuts between Mexico and Brazil might be due in part to an earlier awareness of the growing problem of servicing external debt as well as lower dependence on the U.S. as a supplier.

Although the relative decline in U.S. exports to some Latin American countries has been even greater than to Mexico and Brazil, U.S. exports to these two countries are the most important in dollar terms. In fact, in 1980 and 1981 U.S. exports to Mexico alone exceeded exports to Argentina, Brazil, Chile, Peru and Venezuela combined. Further, U.S. exports to these six nations are equivalent to about 68 per cent of our exports to all of Central and South America.

. . . Which Could Affect Growth In The States

The sharp fall in U.S. exports to the LDCs and the overall drop in exports to the rest of the world has important implications for the U.S. economy. These important markets for U.S. agricultural and manufactured goods could be severely diminished for several years to come if the LDCs devote even a fifth of their foreign exchange earnings to debt service. In

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 1/5/83	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	147.786	+ .864	+ 7.408
Loans to Depository Inst.	1.202	+ .511	− .250
Float	3.308	− .123	− .169
Total Reserve Bank Credit	162.851	+ 1.401	+ 8.054
Treasury Deposits with Federal Reserve Banks	4.188	+ .860	+ .441
Currency Outside Banks	138.408	− .406	+ 8.932
Member Bank Reserves:			
Required	41.391	+ .157	− .757
Excess (Deficiency)	1.358	+ .519	+ .731
Total Reserves Held	42.749	+ .676	− .026
Net Free Reserves	.336	− .047	+ .909
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	106.197	+ .055	+10.118
Monetary Aggregates†		**% Change Since Three Months Ago***	**% Change Since Year Ago**
M1	477.8	+ 15.1‡	+ 8.2‡
M2 (December '82)	2,001.5	+ 9.5	+ 9.8
M3 (December '82)	2,406.0	+ 7.1	+ 10.0
L (August '82)	2,858.2	+ 12.1	+ 11.7

†Seasonally adjusted. *Seasonally adjusted annual rate. ‡Four-week moving average.

New York Money Market

*Offering Rates 1/14/83	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	7.85%	8.05%	8.30%
* Federal Agencies	7.75	7.85	8.70
* Project Notes—Taxfree (46% Taxable Equivalent)	7.69	8.33	8.61
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	8.25	8.30	8.80

‡Finance Company Paper—Prime		‡* Bankers' Acceptances	
5- 14 days	7.88%	Feb.	8.05%
15- 29 days	7.88	Mar.	8.05
30- 59 days	8.00	Apr.	8.05
60- 89 days	8.00	May	8.10
90-179 days	8.13	Jun.	8.10
180-239 days	8.13	Jul.	8.00
240-270 days	8.13		

‡Industrial Paper—Prime			
30- 89 days	8.13%	†Federal Funds Effective Rate	8.25%
90-120 days	8.13		

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	3rd Q'82	$ 3,088	$ 3,045	$ 2,981
Gross National Product (1972 Dollars)*	3rd Q'82	$ 1,481	$ 1,478	$ 1,510
Percent Change, Annual Rate	3rd Q'82	0.7	2.1	2.2
Change in Consumer Prices (all urban consumers)*	Nov '82	1.2%	6.0%	6.0%
Change in Producer Prices*	Dec '82n	1.2%	7.2%	3.6%
Civilian Employment (Thousands of Persons)†	Dec '82	99,093	99,136	99,677
Unemployment as % of Civilian Labor Force†	Dec '82	10.8%	10.7%	8.6%
Personal Income*	Nov '82	$ 2,621	$ 2,611	$ 2,499
Leading Indicators Composite Index (1967=100)†	Nov '82	131.7	130.7	128.2
Industrial Production Index (1967=100) †	Dec '82n	134.7	134.8	143.4
Net Change in Consumer Installment Credit†	Nov '82n	+$ 2.52	−$ 0.32	+$ 0.60
U.S. Merchandise Trade Balance †	Nov '82	−$ 4.09	−$ 5.33	−$ 4.42
Plant and Equipment Expenditures*	1st Q'83	$316.40(a)	$324.47(a)	$327.72
Private Housing Starts (Thousands of Units)*	Nov '82	1,428	1,129	860
New Construction Expenditures*	Nov '82	$ 237.2	$ 229.1	$ 230.0
Total Business Inventories†	Nov '82n	$ 508.6	$ 514.2	$ 521.6
Total Business Sales†	Nov '82n	$ 336.4	$ 332.5	$ 344.9

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. a-Anticipated.

turn, this would lead to reduced production and employment in the United States. Further, the U.S. trade deficit is expected to reach record levels in 1983 without a compensating rise from the sale of financial services to the LDCs. U.S. financial institutions have derived substantial profits in the past from the financing of trade, particularly from our trade with Latin America. What is more, nontrade-related lending to the Latin American countries and other LDCs will probably diminish, reducing interest income which is counted as part of the U.S. current account. The rescheduling of repayments of principal on some LDC loans will also slow, at least temporarily, inflows of funds into the U.S. capital accounts, reducing the capital available for re-investment either at home or abroad.

The reduction of imports from the United States by the LDCs has important implications for the LDCs, too. The sharp drop in food and other agricultural products by these countries suggests a cut in their living standards—not to mention their own agricultural productivity. The decline in imports of machinery and other manufactures will slow, if not halt, most of these countries' development plans, resulting not only in slower growth, but in a delay in the improvement in their living standards in the longer run. H

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CD's Weekly Reporting Banks			
Nationwide (12/29/82)	132,340	– 2,296	– 3,530
New York City (12/29/82)	35,612	– 964	+ 1,584
Commercial Paper (12/29/82)	166,523	– 3,472	+ 3,724*

*Series redefined: Data prior to December 1, 1982, are not strictly comparable to the data reported after that date.

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (12/29/82)	216,863	+ 174	+21,083
New York City (12/29/82)	60,750	– 253	+ 4,606

Total Loans Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (12/29/82)	505,606	– 963	+34,606
New York City (12/29/82)	119,486	– 2,625	+ 7,694

Financial Markets

	Friday 1/14/83	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	7.75%	– .30	– 4.90
180-Day Bills†	7.95	– .27	– 6.20
Longest Bills†	8.25	– .25	– 6.30
Recent Issues:			
9 3/8s 12/31/84	9.08	– .18	
10s 12/31/86	9.60	– .26	
10 1/2s 11/15/92	10.25	– .12	
10 3/8s 11/15/12	10.48	0.00	
Municipals:			
Bond Buyer–20 Bond Index* (1/13/83)	9.37%	– .11	– 4.07
Blue List Total ($ Million)	$ 957	– $ 9	+ $116
30-Day Visible Supply ($ Million)	$1,626	+ $194	+ $ 55
Total	$2,583	+ $185	+ $171
Corporates:			
Moody's Aa Composite (1/13/83)	12.27%	– .11	– 3.43
30-Day Visible Supply ($ Million) ‡	$ 280	– $297	NA
Stocks:			
Dow-Jones Averages:			
Industrials	1,080.85	+ 4.78	+ 233.25
Transportation	467.68	+ 7.31	+ 115.05
Utilities	124.63	+ .14	+ 20.45
65 Stocks	424.34	+ 3.07	+ 92.71
Standard and Poor's 500 Stocks	146.65	+ 1.47	+ 30.32
N.Y.S.E. Composite Index	84.67	+ 1.00	+ 17.26
N.Y.S.E. Avg. Daily Vol. for Week (000's)	94,812	– 2,760	+ 47,356

* 46% Taxable equivalent 17.35%.
‡Series redefined: Historical data not available.
† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 1/14/83	Week Ago
Overnight	8.88%	8.63%
1 month	8.75	8.81
3 month	8.81	8.81
6 month	8.94	8.94
1 year	9.13	9.19
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	11.70%	11.85%
Long Term (7 to 15 yrs.)	11.80	11.95

FOREIGN EXCHANGE SPOT RATES

New York Opening (1/14/83)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.02157	46.35
Canada	.8181	1.2223
Denmark	.1207	8.2825
France	.1495	6.6885
Germany	.4241	2.3582
Italy	.0007382	1354.50
Japan	.004332	230.83
Mexico	.006680	149.70
Netherlands	.3847	2.5995
Switzerland	.5162	1.9373
U.K.	1.5792	.6332

A Fact from Manufacturers Hanover:

SPECIAL RATES EXTENDED UNTIL JAN. 31*

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It's a fact. Our new MHT Money Management Account℠ is here. And it offers features that no money market fund can match. It's more solid than any money market fund because it's FDIC insured.† It's more liquid because you can make withdrawals anytime you want.

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†Total deposits insured up to $100,000.

MHT MONEY MANAGEMENT ACCOUNT

Money Management Account Balance	Annual Percentage Yield**	Annual Interest Rate*
$2,500 — $14,999	11.231%	10.500%
Money Management Account or Consolidated Balances of $15,000 or More	11.797%	11.000%

A higher rate for consolidated balances is a continuing feature for MHT customers. Keep $15,000 or more in *either* a Money Management Account *or* in any combination of a Money Management Account and other MHT Savings or Times Deposit Accounts to earn the higher rate.
These rates are effective through January 31, 1983.

*Interest rates change weekly. Balances below $2,500 earn NOW Account interest rate.
**Assuming principal and interest remain on deposit at this current rate for full year.

Mail to:
MONEY MANAGEMENT ACCOUNT
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Please send me the facts and the materials needed for opening the new Money Management Account.

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FACT: ENJOY LIQUIDITY AND CONVENIENCE NO MONEY MARKET FUND CAN EQUAL.

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